

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7238**

**BILL NUMBER:** HB 1680

**NOTE PREPARED:** Jan 22, 2005

**BILL AMENDED:**

**SUBJECT:** Property tax abatement.

**FIRST AUTHOR:** Rep. Hoy

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides a credit against municipal property taxes to a taxpayer in a municipal taxing district in which the assessed valuation subject to tax abatement is proportionally greater than the average assessed valuation subject to tax abatement in other taxing districts in the county. It imposes an equalization levy in the county to replace the revenue lost due to the credit.

**Effective Date:** January 1, 2006.

**Explanation of State Expenditures:** If a county adopts an equalization property tax levy, as explained below, the state's expenses for Property Tax Replacement Credits (PTRC) and Homestead Credits would increase. PTRC and homestead credits are paid from the Property Tax Replacement Fund (PTRF). These credits are paid from the state General Fund if insufficient balances are available in the PTRF.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** This proposal will increase the administrative expenses of the county auditors by an indeterminable amount.

**Explanation of Local Revenues:** Under this proposal, a taxpayer in a municipal taxing district would receive an additional local property tax replacement credit against the municipality's portion of tax levies if (1) the municipal taxing district has a larger percentage of tax abatements and Enterprise Zone inventory credits as compared to gross assessed value than (2) the average percentage for all municipal taxing districts in the county. Credits would not be allowed in the county if all district abatement percentages vary from one another

by 1% or less.

In a taxing district with a high abatement percentage, the credit would equal the difference between (1) the taxpayer's actual property tax liability to the municipality and (2) the taxpayer's recomputed liability to the municipality if tax rates in the district were computed using the average abatement percentage of all municipalities in the county.

The credit would be funded by a county equalization property tax levy that is outside of the maximum levy calculations for the county. The auditor will apply the credit to each taxpayer that qualifies and the taxpayer is not required to apply for the credit. If the equalization levy is insufficient to replace the revenue lost from these credit by the designating units, the distribution of replacement funds is to be proportionately reduced to each designating unit based on their relative gross assessed valuation. The bill could shift part of the impact that current abatements and enterprise zone credits have on municipal taxpayers from some taxing districts where they are actually granted to all taxpayers in the county. The amount of the shift is unknown.

Overall, total net property tax levies in the county would decline because the state would pay PTRC and homestead credit on the equalization levy.

*Background:* The following chart shows the total assessed value of abatement and the net tax dollar amount of the abatements.

	Assessed Value	Net TaxDollars
1994	1,098,090,431	96,370,085
1995	969,171,371	87,573,605
1996	1,079,077,083	106,169,772
1997	1,028,072,383	90,763,735
1998	1,012,550,919	86,845,433
1999	1,170,745,389	97,728,459
2000	1,434,077,171	121,832,900
2001	1,710,628,536	151,309,370
2002	5,543,719,781	168,215,854
2003	8,810,032,964	209,989,752

This provision would apply to property taxes due and payable after December 31, 2006.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County Auditors, County Treasurers.

**Information Sources:** Local Government Database.

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